GLENN HEGAR TEXAS COMPTROLLER OF PUBLIC ACCOUNTS

P.O. Box 13528 • Austin, TX 78711-3528

January 23, 2015

Dr. Karin Holacka
Superintendent
Brazosport Independent School District
PO Drawer Z
Freeport, TX 77542

Dear Superintendent Holacka:

On December 15, 2014, the Comptroller issued written notice that BASF Corporation (the applicant) submitted a completed application (Application #1027) for a limitation on appraised value under the provisions of Tax Code Chapter 313[1]. This application was originally submitted on August 12, 2014, to the Brazosport Independent School District (the school district) by the applicant.

This presents the results of the Comptroller's review of the application and determinations required:

1) under Section 313.025(h) to determine if the property meets the requirements of Section 313.024 for eligibility for a limitation on appraised value under Chapter 313, Subchapter C; and
2) under Section 313.025(d), to issue a certificate for a limitation on appraised value of the property and provide the certificate to the governing body of the school district or provide the governing body a written explanation of the comptroller's decision not to issue a certificate, using the criteria set out in Section 313.026.

Determination required by 313.025(h)

Sec. 313.024(a)	Applicant is subject to tax imposed by Chapter 171.
Sec. 313.024(b)	Applicant is proposing to use the property for an eligible project.
Sec. 313.024(d)	Applicant has committed to create the required number of new qualifying jobs and pay all jobs created that are not qualifying jobs a wage that exceeds the county average weekly wage for all jobs in the county where the jobs are located.
Sec. 313.024(d-2)	Not applicable to Application #1027.

Based on the information provided by the applicant, the Comptroller has determined that the property meets the requirements of Section 313.024 for eligibility for a limitation on appraised value under Chapter 313, Subchapter C.

Certificate decision required by 313.025(d)

[1] All statutory references are to the Texas Tax Code, unless otherwise noted.

Determination required by 313.026(c)(1)

The Comptroller has determined that the project proposed by the applicant is reasonably likely to generate tax revenue in an amount sufficient to offset the school district maintenance and operations ad valorem tax revenue lost as a result of the agreement before the 25th anniversary of the beginning of the limitation period. See Attachment B.
Determination required by 313.026(c)(2)

The Comptroller has determined that the limitation on appraised value is a determining factor in the applicant's decision to invest capital and construct the project in this state. See Attachment C.

Based on these determinations, the Comptroller issues a certificate for a limitation on appraised value. This certificate is contingent on the school district's receipt and acceptance of the Texas Education Agency's determination per 313.025(b-1).

The Comptroller's review of the application assumes the accuracy and completeness of the statements in the application. If the application is approved by the school district, the applicant shall perform according to the provisions of the Texas Economic Development Act Agreement (Form 50-286) executed with the school district. The school district shall comply with and enforce the stipulations, provisions, terms, and conditions of the agreement, applicable Texas Administrative Code and Chapter 313, per TAC 9.1054(i)(3).

This certificate is no longer valid if the application is modified, the information presented in the application changes, or the limitation agreement does not conform to the application. Additionally, this certificate is contingent on the school district approving and executing the agreement within a year from the date of this letter.

Note that any building or improvement existing as of the application review start date of December 15, 2014, or any tangible personal property placed in service prior to that date may not become "Qualified Property" as defined by 313.021(2) and the Texas Administrative Code.

Should you have any questions, please contact Robert Wood, Associate Deputy Comptroller, by email at robert.wood@cpa.texas.gov or by phone at 1-800-53l-5441, ext. 3-3973, or direct in Austin at 512-463-3973.

Sincerely,

Mike Reissig
Deputy Comptroller

Enclosure

cc: Robert Wood

Attachment A – Economic Impact Analysis

This following tables summarizes the Comptroller's economic impact analysis of BASF Corporation (the project) applying to Brazosport Independent School District (the district), as required by Tax Code, 313.026 and Texas Administrative Code 9.1055(d)(2).

Table 1 is a summary of investment, employment and tax impact of BASF Corporation.

Applicant	BASF Corporation
Tax Code, 313.024 Eligibility Category	Manufacturing
School District	Brazosport ISD
2011-12 Enrollment in School District	12,505
County	Brazoria
Proposed Total Investment in District	$614,380,000
Proposed Qualified Investment	$385,620,000
Limitation Amount	$30,000,000
Number of new qualifying jobs committed to by applicant	50
Number of new non-qualifying jobs estimated by applicant	0
Average weekly wage of qualifying jobs committed to by applicant	$1,154
Minimum weekly wage required for each qualifying job by Tax Code, 313.021(5)(B)	$1,150
Minimum annual wage committed to by applicant for qualified jobs	$60,000
Minimum weekly wage required for non-qualifying jobs	
Minimum annual wage required for non-qualifying jobs	
Investment per Qualifying Job	$12,287,600
Estimated M&O levy without any limit (15 years)	$83,640,960
Estimated M&O levy with Limitation (15 years)	$17,857,320
Estimated gross M&O tax benefit (15 years)	$65,783,640

Table 2 is the estimated statewide economic impact of BASF Corporation (modeled).

	Employment			Personal Income			Revenue & Expenditure		
Year	Direct	Indirect + Induced	Total	Direct	Indirect + Induced	Total	Revenue	Expenditure	Net Tax Effect
2016	535	528	1063	$27,820,000	$38,180,000	$66,000,000	$3,608,704	-$1,831,055	$5,439,759
2017	2110	2,089	4199	$109,800,000	$163,200,000	$273,000,000	$14,472,961	-$6,614,685	$21,087,646
2018	860	990	1850	$44,920,000	$99,080,000	$144,000,000	$7,209,778	$595,093	$6,614,685
2019	50	237	287	$3,000,000	$43,000,000	$46,000,000	$2,532,959	$4,417,419	-$1,884,460
2020	50	149	199	$3,000,000	$32,000,000	$35,000,000	$2,273,560	$4,287,720	-$2,014,160
2021	50	112	162	$3,000,000	$26,000,000	$29,000,000	$2,021,790	$4,043,579	-$2,021,789
2022	50	102	152	$3,000,000	$23,000,000	$26,000,000	$1,876,831	$3,746,033	-$1,869,202
2023	50	114	164	$3,000,000	$21,000,000	$24,000,000	$1,823,425	$3,448,486	-$1,625,061
2024	50	132	182	$3,000,000	$21,000,000	$24,000,000	$1,869,202	$3,173,828	-$1,304,626
2025	50	155	205	$3,000,000	$22,000,000	$25,000,000	$1,876,831	$2,944,946	-$1,068,115
2026	50	179	229	$3,000,000	$24,000,000	$27,000,000	$1,945,496	$2,738,953	-$793,457
2027	50	204	254	$3,000,000	$26,000,000	$29,000,000	$2,021,790	$2,548,218	-$526,428
2028	50	200	250	$3,000,000	$27,000,000	$30,000,000	$1,869,202	$2,418,518	-$549,316
2029	50	214	264	$3,000,000	$29,000,000	$32,000,000	$1,884,460	$2,281,189	-$396,729
2030	50	221	271	$3,000,000	$31,000,000	$34,000,000	$1,846,313	$2,159,119	-$312,806

Source: CPA, REMI, BASF Corporation

Table 3 examines the estimated direct impact on ad valorem taxes to the region if all taxes are assessed.

Year	Estimated Taxable Value for I&S	Estimated Taxable Value for M&O		Brazosport ISD I&S Tax Levy	Brazosport ISD M&O Tax Levy	Brazosport ISD M&O and I&S Tax Levies	Brazoria County Tax Levy	Brazosport JR. College Tax Levy	Velasco Drainage District Tax Levy	Brazos River Harbor Navigation Distrct Tax Levy	Estimated Total Property Taxes
			Tax Rate[1]	0.02153	1.0400		0.4920	0.2673	0.1002	0.4500	
2016	$0	$0		$0	$0	$0	$0	$0	$0	$0	$0
2017	$67,050,000	$67,050,000		$14,436	$697,320	$711,756	$329,899	$179,231	$67,202	$301,725	$1,589,812
2018	$347,040,000	$347,040,000		$74,718	$3,609,216	$3,683,934	$1,707,506	$927,669	$347,824	$1,561,680	$8,228,613
2019	$770,310,000	$770,310,000		$165,848	$8,011,224	$8,177,072	$3,790,079	$2,059,108	$772,051	$3,466,395	$18,264,705
2020	$810,000,000	$810,000,000		$174,393	$8,424,000	$8,598,393	$3,985,362	$2,165,203	$811,831	$3,645,000	$19,205,789
2021	$783,000,000	$783,000,000		$168,580	$8,143,200	$8,311,780	$3,852,517	$2,093,029	$784,770	$3,523,500	$18,565,596
2022	$765,000,000	$765,000,000		$164,705	$7,956,000	$8,120,705	$3,763,953	$2,044,914	$766,729	$3,442,500	$18,138,800
2023	$720,000,000	$720,000,000		$155,016	$7,488,000	$7,643,016	$3,542,544	$1,924,625	$721,627	$3,240,000	$17,071,812
2024	$675,000,000	$675,000,000		$145,328	$7,020,000	$7,165,328	$3,321,135	$1,804,336	$676,526	$3,037,500	$16,004,824
2025	$630,000,000	$630,000,000		$135,639	$6,552,000	$6,687,639	$3,099,726	$1,684,047	$631,424	$2,835,000	$14,937,836
2026	$585,000,000	$585,000,000		$125,951	$6,084,000	$6,209,951	$2,878,317	$1,563,758	$586,322	$2,632,500	$13,870,847
2027	$540,000,000	$540,000,000		$116,262	$5,616,000	$5,732,262	$2,656,908	$1,443,469	$541,220	$2,430,000	$12,803,859
2028	$495,000,000	$495,000,000		$106,574	$5,148,000	$5,254,574	$2,435,499	$1,323,180	$496,119	$2,227,500	$11,736,871
2029	$450,000,000	$450,000,000		$96,885	$4,680,000	$4,776,885	$2,214,090	$1,202,891	$451,017	$2,025,000	$10,669,883
2030	$405,000,000	$405,000,000		$87,197	$4,212,000	$4,299,197	$1,992,681	$1,082,601	$405,915	$1,822,500	$9,602,894
					Total	$85,372,489	$39,570,216	$21,498,059	$8,060,576	$36,190,800	$190,692,140

Source: CPA, BASF Corporation

[1]Tax Rate per $100 Valuation

Table 4 examines the estimated direct impact on ad valorem taxes to the school district and Brazoria County, with all property tax incentives sought being granted using estimated market value from the application. The project has applied for a value limitation under Chapter 313, Tax Code and tax abatement with the county and the Brazosport Junior College.

The difference noted in the last line is the difference between the totals in Table 3 and Table 4.

Year	Estimated Taxable Value for I&S	Estimated Taxable Value for M&O		Brazosport ISD I&S Tax Levy	Brazosport ISD M&O Tax Levy	Brazosport ISD M&O and I&S Tax Levies	Brazoria County Tax Levy	Brazosport Jr. College Tax Levy	Velasco Drainage District Tax Levy	Brazos River Harbor Navigation Distrct Tax Levy	Estimated Total Property Taxes
			Tax Rate[1]	0.2153	1.0400		0.4920	0.2673	0.1002	0.4500	
2016	$0	$0		$0	$0	$0	$0	$0	$0	$0	$0
2017	$67,050,000	$67,050,000		$144,359	$697,320	$841,679	$0	$0	$67,202	$301,725	$1,210,605
2018	$347,040,000	$30,000,000		$747,177	$312,000	$1,059,177	$0	$0	$347,824	$1,561,680	$2,968,681
2019	$770,310,000	$30,000,000		$1,658,477	$312,000	$1,970,477	$0	$0	$772,051	$3,466,395	$6,208,923
2020	$810,000,000	$30,000,000		$1,743,930	$312,000	$2,055,930	$0	$0	$811,831	$3,645,000	$6,512,761
2021	$783,000,000	$30,000,000		$1,685,799	$312,000	$1,997,799	$0	$0	$784,770	$3,523,500	$6,306,069
2022	$765,000,000	$30,000,000		$1,647,045	$312,000	$1,959,045	$0	$0	$766,729	$3,442,500	$6,168,274
2023	$720,000,000	$30,000,000		$1,550,160	$312,000	$1,862,160	$0	$0	$721,627	$3,240,000	$5,823,787
2024	$675,000,000	$30,000,000		$1,453,275	$312,000	$1,765,275	$0	$0	$676,526	$3,037,500	$5,479,301
2025	$630,000,000	$30,000,000		$1,356,390	$312,000	$1,668,390	$0	$0	$631,424	$2,835,000	$5,134,814
2026	$585,000,000	$30,000,000		$1,259,505	$312,000	$1,571,505	$0	$0	$586,322	$2,632,500	$4,790,327
2027	$540,000,000	$30,000,000		$1,162,620	$312,000	$1,474,620	$2,656,908	$1,443,469	$541,220	$2,430,000	$8,546,217
2028	$495,000,000	$495,000,000		$1,065,735	$5,148,000	$6,213,735	$2,435,499	$1,323,180	$496,119	$2,227,500	$12,696,032
2029	$450,000,000	$450,000,000		$968,850	$4,680,000	$5,648,850	$2,214,090	$1,202,891	$451,017	$2,025,000	$11,541,848
2030	$405,000,000	$405,000,000		$871,965	$4,212,000	$5,083,965	$1,992,681	$1,082,601	$405,915	$1,822,500	$10,387,663
					Total	$35,172,607	$9,299,178	$5,052,140	$8,060,576	$36,190,800	$93,775,301
					Diff	$50,199,882	$30,271,038	$16,445,919	$0	$0	$96,916,839
Assumes School Value Limitation and Tax Abatements with the County and Brazosport Jr. Collgege District.											

Source: CPA, BASF Corporation

[1]Tax Rate per $100 Valuation

Disclaimer: This examination is based on information from the application submitted to the school district and forwarded to the comptroller. It is intended to meet the statutory requirement of Chapter 313 of the Tax Code and is not intended for any other purpose.

Attachment B – Tax Revenue over 25 Years

This represents the Comptroller's determination that BASF Corporation (project) is reasonably likely to generate, before the 25th anniversary of the beginning of the limitation period, tax revenue in an amount sufficient to offset the school district maintenance and operations ad valorem tax revenue lost as a result of the agreement. This evaluation is based on an analysis of the estimated M&O portion of the school district property tax levy and direct, indirect and induced tax effects from project employment directly related to this project, using estimated taxable values provided in the application.

	Tax Year	Estimated ISD M&O Tax Levy Generated (Annual)	Estimated ISD M&O Tax Levy Generated (Cumulative)	Estimated ISD M&O Tax Levy Loss as Result of Agreement (Annual)	Estimated ISD M&O Tax Levy Loss as Result of Agreement (Cumulative)
Limitation Pre-Years	2015	$0	$0	$0	$0
	2016	$0	$0	$0	$0
	2017	$697,320	$697,320	$0	$0
Limitation Period (10 Years)	2018	$312,000	$1,009,320	$3,297,216	$3,297,216
	2019	$312,000	$1,321,320	$7,699,224	$10,996,440
	2020	$312,000	$1,633,320	$8,112,000	$19,108,440
	2021	$312,000	$1,945,320	$7,831,200	$26,939,640
	2022	$312,000	$2,257,320	$7,644,000	$34,583,640
	2023	$312,000	$2,569,320	$7,176,000	$41,759,640
	2024	$312,000	$2,881,320	$6,708,000	$48,467,640
	2025	$312,000	$3,193,320	$6,240,000	$54,707,640
	2026	$312,000	$3,505,320	$5,772,000	$60,479,640
	2027	$312,000	$3,817,320	$5,304,000	$65,783,640
Maintain Viable Presence (5 Years)	2028	$5,148,000	$8,965,320	$0	$65,783,640
	2029	$4,680,000	$13,645,320	$0	$65,783,640
	2030	$4,212,000	$17,857,320	$0	$65,783,640
	2031	$4,212,000	$22,069,320	$0	$65,783,640
	2032	$4,212,000	$26,281,320	$0	$65,783,640
Additional Years as Required by 313.026(c)(1) (10 Years)	2033	$4,212,000	$30,493,320	$0	$65,783,640
	2034	$3,744,000	$34,237,320	$0	$65,783,640
	2035	$3,744,000	$37,981,320	$0	$65,783,640
	2036	$3,744,000	$41,725,320	$0	$65,783,640
	2037	$3,744,000	$45,469,320	$0	$65,783,640
	2038	$3,744,000	$49,213,320	$0	$65,783,640
	2039	$3,744,000	$52,957,320	$0	$65,783,640
	2040	$3,744,000	$56,701,320	$0	$65,783,640
	2041	$3,744,000	$60,445,320	$0	$65,783,640
	2042	$3,744,000	$64,189,320	$0	$65,783,640
		$64,189,320	is less than	**$65,783,640**	

Analysis Summary	
Is the project reasonably likely to generate tax revenue in an amount sufficient to offset the M&O levy loss as a result of the limitation agreement?	No

Source: CPA, BASF Corporation

Employment Indirect and Induced Tax Effects

	Employment			Personal Income			Revenue & Expenditure		
Year	Direct	Indirect + Induced	Total	Direct	Indirect + Induced	Total	Revenue	Expenditure	Net Tax Effect
2016	535	528	1063	$27,820,000	$38,180,000	$66,000,000	$3,608,704	-$1,831,055	$5,439,759
2017	2110	2,089	4199	$109,800,000	$163,200,000	$273,000,000	$14,472,961	-$6,614,685	$21,087,646
2018	860	990	1850	$44,920,000	$99,080,000	$144,000,000	$7,209,778	$595,093	$6,614,685
2019	50	237	287	$3,000,000	$43,000,000	$46,000,000	$2,532,959	$4,417,419	-$1,884,460
2020	50	149	199	$3,000,000	$32,000,000	$35,000,000	$2,273,560	$4,287,720	-$2,014,160
2021	50	112	162	$3,000,000	$26,000,000	$29,000,000	$2,021,790	$4,043,579	-$2,021,789
2022	50	102	152	$3,000,000	$23,000,000	$26,000,000	$1,876,831	$3,746,033	-$1,869,202
2023	50	114	164	$3,000,000	$21,000,000	$24,000,000	$1,823,425	$3,448,486	-$1,625,061
2024	50	132	182	$3,000,000	$21,000,000	$24,000,000	$1,869,202	$3,173,828	-$1,304,626
2025	50	155	205	$3,000,000	$22,000,000	$25,000,000	$1,876,831	$2,944,946	-$1,068,115
2026	50	179	229	$3,000,000	$24,000,000	$27,000,000	$1,945,496	$2,738,953	-$793,457
2027	50	204	254	$3,000,000	$26,000,000	$29,000,000	$2,021,790	$2,548,218	-$526,428
2028	50	200	250	$3,000,000	$27,000,000	$30,000,000	$1,869,202	$2,418,518	-$549,316
2029	50	214	264	$3,000,000	$29,000,000	$32,000,000	$1,884,460	$2,281,189	-$396,729
2030	50	221	271	$3,000,000	$31,000,000	$34,000,000	$1,846,313	$2,159,119	-$312,806
2031	50	231	281	$3,000,000	$33,000,000	$36,000,000	$1,853,943	$2,029,419	-$175,476
2032	50	241	291	$3,000,000	$36,000,000	$39,000,000	$1,937,866	$1,914,978	$22,888
2033	50	251	301	$3,000,000	$38,000,000	$41,000,000	$1,945,496	$1,770,020	$175,476
2034	50	263	313	$3,000,000	$41,000,000	$44,000,000	$2,075,195	$1,739,502	$335,693
2035	50	272	322	$3,000,000	$44,000,000	$47,000,000	$2,075,195	$1,686,096	$389,099
2036	50	278	328	$3,000,000	$46,000,000	$49,000,000	$2,082,825	$1,655,579	$427,246
2037	50	288	338	$3,000,000	$50,000,000	$53,000,000	$2,143,860	$1,678,467	$465,393
2038	50	284	334	$3,000,000	$52,000,000	$55,000,000	$2,136,230	$1,655,579	$480,651
2039	50	294	344	$3,000,000	$57,000,000	$60,000,000	$2,182,007	$1,602,173	$579,834
2040	50	298	348	$3,000,000	$60,000,000	$63,000,000	$2,182,007	$1,548,767	$633,240
2041	50	305	355	$3,000,000	$63,000,000	$66,000,000	$2,227,783	$1,525,879	$701,904
2042	50	315	365	$3,000,000	$68,000,000	$71,000,000	$2,426,147	$1,533,508	$892,639
						Total	**$74,401,856**	**$50,697,328**	**$23,704,528**
							$87,893,848	is greater than	**$65,783,640**

Analysis Summary	
Is the project reasonably likely to generate tax revenue in an amount sufficient to offset the M&O levy loss as a result of the limitation agreement?	Yes

Disclaimer: This examination is based on information from the application submitted to the school district and forwarded to the comptroller. It is intended to meet the statutory requirement of Chapter 313 of the Tax Code and is not intended for any other purpose.

Attachment C – Limitation as a Determining Factor

Tax Code 313.026 states that the Comptroller may not issue a certificate for a limitation on appraised value under this chapter for property described in an application unless the comptroller determines that "the limitation on appraised value is a determining factor in the applicant's decision to invest capital and construct the project in this state." This represents the basis for the Comptroller's determination.

Methodology

Texas Administrative Code 9.1055(d) states the Comptroller shall review any information available to the Comptroller including:

- the application, including the responses to the questions in Section 8 (Limitation as a Determining Factor);
- public documents or statements by the applicant concerning business operations or site location issues or in which the applicant is a subject;
- statements by officials of the applicant, public documents or statements by governmental or industry officials concerning business operations or site location issues;
- existing investment and operations at or near the site or in the state that may impact the proposed project;
- announced real estate transactions, utility records, permit requests, industry publications or other sources that may provide information helpful in making the determination; and
- market information, raw materials or other production inputs, availability, existing facility locations, committed incentives, infrastructure issues, utility issues, location of buyers, nature of market, supply chains, other known sites under consideration.

Determination

The Comptroller **has determined** that the limitation on appraised value is a determining factor in the BASF Corporation decision to invest capital and construct the project in this state. This is based on information available, including information provided by the applicant. Specifically, the comptroller notes the following:

- Per the applicant, they are considering locations on the US Gulf Coast for this project.
- According to BASF Corporation, it has five sites in Texas, nine sites in the Gulf Coast States and over 30 facilities in the greater United States. These attributes allow for the flexibility to invest in a variety of locations and in addition creates competition for capital investment worldwide.

Supporting Information

a) Section 8 of the Application for a Limitation on Appraised Value
b) Attachments provided in Tab 5 of the Application for a Limitation on Appraised Value
c) Additional information provided by the Applicant or located by the Comptroller

Disclaimer: This examination is based on information from the application submitted to the school district and forwarded to the comptroller. It is intended to meet the statutory requirement of Chapter 313 of the Tax Code and is not intended for any other purpose.

Supporting Information

Section 8 of the Application for a Limitation on Appraised Value

SECTION 6: Eligibility Under Tax Code Chapter 313.024

1. Are you an entity subject to the tax under Tax Code, Chapter 171?	☑ Yes	☐ No
2. The property will be used for one of the following activities:		
(1) manufacturing	☑ Yes	☐ No
(2) research and development	☐ Yes	☑ No
(3) a clean coal project, as defined by Section 5.001, Water Code	☐ Yes	☑ No
(4) an advanced clean energy project, as defined by Section 382.003, Health and Safety Code	☐ Yes	☑ No
(5) renewable energy electric generation	☐ Yes	☑ No
(6) electric power generation using integrated gasification combined cycle technology	☐ Yes	☑ No
(7) nuclear electric power generation	☐ Yes	☑ No
(8) a computer center that is used as an integral part or as a necessary auxiliary part for the activity conducted by applicant in one or more activities described by Subdivisions (1) through (7)	☐ Yes	☑ No
(9) a Texas Priority Project, as defined by 313.024(e)(7) and TAC 9.1051	☐ Yes	☑ No
3. Are you requesting that any of the land be classified as qualified investment?	☐ Yes	☑ No
4. Will any of the proposed qualified investment be leased under a capitalized lease?	☐ Yes	☑ No
5. Will any of the proposed qualified investment be leased under an operating lease?	☐ Yes	☑ No
6. Are you including property that is owned by a person other than the applicant?	☐ Yes	☑ No
7. Will any property be pooled or proposed to be pooled with property owned by the applicant in determining the amount of your qualified investment?	☐ Yes	☑ No

SECTION 7: Project Description

1. In **Tab 4**, attach a detailed description of the scope of the proposed project, including, at a minimum, the type and planned use of real and tangible personal property, the nature of the business, a timeline for property construction or installation, and any other relevant information.

*2. Check the project characteristics that apply to the proposed project:

- ☑ Land has no existing improvements
- ☑ Land has existing improvements *(complete Section 13)*
- ☐ Expansion of existing operation on the land *(complete Section 13)*
- ☐ Relocation within Texas

*Please see Tab 10

SECTION 8: Limitation as Determining Factor

1. Does the applicant currently own the land on which the proposed project will occur?	☑ Yes	☐ No
2. Has the applicant entered into any agreements, contracts or letters of intent related to the proposed project?	☐ Yes	☑ No
*3. Does the applicant have current business activities at the location where the proposed project will occur?	☑ Yes	☐ No
4. Has the applicant made public statements in SEC filings or other documents regarding its intentions regarding the proposed project location?	☐ Yes	☑ No
5. Has the applicant received any local or state permits for activities on the proposed project site?	☐ Yes	☑ No
6. Has the applicant received commitments for state or local incentives for activities at the proposed project site?	☑ Yes	☐ No
7. Is the applicant evaluating other locations not in Texas for the proposed project?	☑ Yes	☐ No
8. Has the applicant provided capital investment or return on investment information for the proposed project in comparison with other alternative investment opportunities?	☐ Yes	☑ No
9. Has the applicant provided information related to the applicant's inputs, transportation and markets for the proposed project?	☐ Yes	☑ No
10. Are you submitting information to assist in the determination as to whether the limitation on appraised value is a determining factor in the applicant's decision to invest capital and construct the project in Texas?	☑ Yes	☐ No

*Please see Tab 10

Chapter 313.026(e) states "the applicant may submit information to the Comptroller that would provide a basis for an affirmative determination under Subsection (c)(2)." If you answered "yes" to any of the questions in Section 8, attach supporting information in Tab 5.

Supporting Information

Attachments provided in Tab 5 of the Application for a Limitation on Appraised Value

LIMITATION AS A DETERMINING FACTOR:

BASF Corporation is considering locations on the US Gulf Coast for this project (see attached). BASF has received a sizable incentive package from another Gulf Coast state in which it has a significant presence that includes in part a 10 year /100% Property Tax Abatement including school property tax. Additionally, BASF has received from the Governor's Office of Economic Development a Texas Enterprise Zone Fund commitment for this project.

BASF SE is the world's leading chemical company with more than 110,000 employees and approximately 380 additional production sites worldwide. BASF Corporation (Applicant) is the primary US subsidiary of BASF SE. As of November 2013, BASF Corporation's Freeport site employs 752 employees and serves customers and partners in almost all countries of the world. BASF Corporation has 5 sites in Texas, 9 sites in the gulf coast states, and over 30 facilities in the greater United States. These attributes allow for the flexibility to invest in a variety of locations and in addition creates competition for capital investment worldwide. Tax incentives are considered favorably in the analysis of the investment.

United States Senate
COMMITTEE ON
ENERGY AND NATURAL RESOURCES
WASHINGTON, DC 20510-6150
WWW.ENERGY.SENATE.GOV

May 5th, 2014

Dr. Kurt Bock
Chairman, Board of Directors
BASF SE
Ludwigshafen am Rhein
GERMANY

Dear Dr. Bock:

Reports from local and international media indicate that BASF is evaluating the construction of a new propylene plant on the Gulf Coast. BASF, having multiple facilities already located in Louisiana, knows what a strategic and ideal location our state is for this important plant which will employ hundreds, if not thousands, of Louisiana residents.

Louisiana is at the center of a global manufacturing renaissance and a natural gas boom, made possible by extraordinary and swift advances in technology to locate, capture and produce natural gas.

The proximity to cheap energy and raw materials for production are two of the greatest needs in this strategic investment decision and, as potentially the single largest investment in BASF's history, I'm confident Louisiana offers the ideal combination of resources that distinguish it as the best choice for your future operations.

Another strategic reason to locate in Louisiana is our unparalleled system of ports that offer exceptional and cost-effective access to the most desirable and profitable markets around the world.

In addition, a pool of capable workers is essential for a multinational company to thrive in today's marketplace. To that end, I've introduced in the U.S. Senate the Jumpstart Our Businesses by Supporting Students (JOBS) Act, which aims to expand Pell Grant eligibility to support industry-specific training asI am personally committed to workforce training programs that offer opportunities to improve and strengthen Louisiana citizens' future job prospects.

We can also provide BASF the highest quality academic minds who remain focused on energy-related research and through our numerous universities, community colleges, and technical schools who are training the most cutting-edge energy labor force.

In my role as Chair of the U.S. Senate Committee for Energy and Natural Resources, I will continue to fight to improve conditions for energy-related industries and make it my highest priority to create jobs for the people of my state and this country.

I want to thank you for BASF's more than 50-year commitment to the Geismar location which has more than 1,600 employees and serves as the largest manufacturing facility for BASF in the United States. I am hoping your company's lengthy positive experience in Louisiana identifies the state as the leading candidate for the location of this most important asset in the energy marketplace.

I look forward to visiting the BASF facility this week to further discuss our nation's manufacturing renaissance and what I can do from my role as Chair of the Senate Energy and Natural Resources Committee to keep and bring back more manufacturing jobs to the United States.

Sincerely,

Mary L. Landrieu
United States Senator

BASF floats idea for massive propylene plant

BASF Corp. announced Friday it is considering an investment in a world-scale methane-to-propylene complex on the U.S. Gulf Coast that if built, would be company's largest investment in a single plant.

The plant's location, production capacity and price are still being evaluated.

"This investment would allow BASF to take advantage of very competitive gas prices in the U.S. due to shale gas production, considerably improve our cost position and improve our backward integration in the United States," said Hans Engel, chairman and chief executive officer.

Propylene is one of the most important basic chemicals in the petrochemical industry and is used in the production of a wide range of higher-value chemicals, according to the company. These chemicals are used to manufacture products such as coatings, detergents or superabsorbent polymers for baby diapers.

Massive gas finds in formations like the Haynesville Shale in north Louisiana or the Marcellus, which covers a large swath of New York, Pensvylvania, Ohio and West Virginia, have lowered prices and created a manufacturing renaissance in the United States. Some forecasts say industrial investment on the Gulf Coast will top $250 billion over the next five to six years.

Chemical and petrochemical companies have announced plans for some $80 billion in projects in

Louisiana alone, with the bulk of those in the Baton Rouge-New Orleans corridor.

In October, BASF and Yara, an Oslo-based chemical giant, announced they were looking to build "a world-scale ammonia plant" on the Gulf Coast. Like Friday's announcement, few details were available.

That plant, if built in Louisiana, would join projects including CF Industries' $2.1 billion expansion in Donaldsonville; Russian fertilizer company EuroChem's proposed $1.5 billion plant that will be built in either Carville or St. John the Baptist Parish; and Dyno Nobel America and parent company Incitec Pivot Ltd.'s $850 million anhydrous ammonia production facility in Waggaman.

BASF Corp., whose corporate offices are in Florham Park, New Jersey, is the North American affiliate of BASF SE, Ludwigshafen, Germany. BASF has nearly 17,000 employees in North America, and had sales of $19.3 billion in 2013.

BASF mulls multi-billion dollar Gulf Coast investment in methane-to-propylene complex

Chemical producer BASF is evaluating an investment in a world-scale methane-to-propylene complex on the U.S. Gulf Coast.

The propylene thereby produced would supply the company's existing North American operations, taking advantage of low gas prices coming out of U.S. shale fields. That would improve its cost position, the company said, and would be BASF's largest single-plant investment to date.

The investment "would secure needed propylene supply for BASF downstream business as less propylene is available in the United States due to the shift from naphtha to ethane feedstocks," noted Chuck Carr, senior director, global olefins, IHS Chemical. According to *IHS Chemical Week*, BASF plans to bring the plant on stream in 2019.

The evaluation is a wise move for BASF, Carr noted. It "offers BASF an opportunity to leverage abundant supplies of North American natural gas at low prices, turning that natural gas into high-value chemical products. Second, BASF's downstream business is dependent upon an ever-shrinking U.S. supply of propylene for its operations — so it needs to secure supply."

The reason for the shrinking supply is that the use of the abundant supplies of natural gas as a feedstock in

North America comes at the expense of naphtha, which otherwise yields more propylene co-production as compared to ethane feeds.

Business basics

Propylene is used in production of higher-value chemicals and plastics used widely in daily life in developed countries. The BASF portfolio includes chemicals, plastics and performance products, leading to sales of about €74 billion and more than 112,000 employees in 2013.

BASF Corp., headquartered in Florham Park, New Jersey, is the North American affiliate of BASF SE, Ludwigshafen, Germany. BASF has nearly 17,000 employees in North America, and 2013 sales of $19.3 billion.

BASF is short of propylene in the U.S., Carr noted, and "this investment would help it forward-integrate [i.e., secure supply] for propylene derivatives, including oxo-alcohols, acrylic acid and propylene oxide. It uses many of these materials for the production of further downstream products."

Propylene supply from steam crackers in the U.S. has been reduced by 40 percent due to the shift towards ethane feedstock into steam crackers, according to IHS Chemical.

"On-purpose propylene production projects are about the only avenue available in North America to secure new supplies and replace this lost production," noted Carr. "In addition, refinery produced propylene is a byproduct of producing gasoline in fluid catalytic cracking units, and currently, refinery produced production of propylene is stagnant to declining in the U.S. as refiners shift production towards diesel and away from gasoline."

Methanol involvment

What BASF actually is looking at is producing propylene from methane via methanol, i.e., methane-to-methanol-to-propylene.

BASF said that Investment details, including the capacity of the plant, investment amount and exact location are currently under evaluation. Yet If BASF were to decide to build this plant, IHS Chemical estimates that its size is likely to be around 500 ktons, similar to the size of propane dehydrogenation (PDH) units currently being built worldwide. Cost-wise, this type plant of this type is more expensive than a traditional PDH unit, but a methane feedstock has a much lower price per BTU than propane.

In terms of market supply, IHS Chemical doesn't see it having significant impact on propylene supply balances. BASF says it will further strengthen its "backward integration" into propylene and grow its propylene-based downstream activities, leading to a stronger North American market position. The

company already makes propylene in the U.S. at Port Arthur, Texas, in a joint-venture cracker project where BASF owns 60 percent interest and TOTAL the remaining 40 percent.

Supporting Information

Additional information provided by the Applicant or located by the Comptroller

BASF US methane-to-propylene plant targets '19 start-up

02 May 2014 23:31 Source: **ICIS News**

By **Joseph Chang**

NEW YORK (ICIS)--BASF's planned methane-to-propylene plant is targeted for start-up in 2019, although it is still being evaluated, a senior executive said on Friday.

While Germany-based BASF did not disclose capacity for the plant to be built on the US Gulf coast, it would be world-scale and could cover its propylene (/chemicals/propylene/) needs in North America.

"The exact capacity is part of the evaluation process. World-scale means that the plant will have a capacity of several 100 tonnes per annum," said Beate Ehle, president, Market and Business Development for BASF, in an interview with **ICIS**.

"We aim to be able to cover our internal demand for propylene in North America," she added.

BASF said that the proposed on-purpose propylene project would be its "largest single-plant investment to date".

The company is aiming to take advantage of long-term low natural gas (/energy/gas/) prices due to US shale gas production to considerably improve its cost position, Ehle noted.

"BASF intends to further strengthen its backward integration and grow its propylene-based downstream activities, leading to a stronger position in

North America," said Ehle.

"Due to abundant shale gas reserves in the US, natural gas will be price advantaged vis-a-vis other feedstock for the production of propylene, which would give the plant a strong cash cost position," she added.

The project could have implications for BASF's 60:40 joint venture cracker in Port Arthur, Texas, with France-based Total.

BASF Total Petrochemicals recently increased the feedstock flexibility at the cracker to use more natural gas liquids (NGLs) ethane (/energy/ethane/) and propane (/energy/propane/) rather than naphtha (/energy/naphtha/). But that in turn has reduced its output of propylene.

"The advantage of lighter feedstocks comes at a price, as these feedstocks result in a lower production of higher olefins (/chemicals/olefins/)," Ehle said. "That's why we are looking into on-purpose production of propylene in order to balance BASF's supply/demand position in North America."

Ehle would not disclose details on the methane-to-propylene technology.

However, several methanol-to-olefins (MTO) processes exist, and these could provide a route to propylene via methane.

Total Petrochemicals (http://www.totalrefiningchemicals.com/SiteCollectionDocuments/Press_releases_news/2010/cp_mto-20100630-en.pdf)started up an MTO demonstration plant in Belgium back in 2010. It successfully produced polypropylene (/chemicals/polypropylene/) (PP) from the monomer.

UOP (http://www.uop.com/wp-content/uploads/2013/12/Methanol-to-Olefins-Technology_Hydrocarbon-Engineering-Dec-2013.pdf) and Air Liquide's Lurgi (http://www.engineering-solutions.airliquide.com/file/otherelementcontent/pj/42/9e/ec/af/methanol-to-propylene%20flyer5517811988317851881.pdf) are among the many others that offer MTO technology.

Regardless of the technology BASF chooses for its plant, it would enter an increasingly crowded field for on-purpose propylene production in North America.

Several companies have proposed on-purpose propylene plants that would use propane as a feedstock.

The following lists the announcements for these propane dehydrogenation (PDH) units.

Company	Capacity, tonnes	Site	Start-up
Dow Chemical	750,000	Texas	Q2 2015
Ascend Performance Materials	1,000,000+	Texas	Q4 2015
Formosa Plastics	658,000	Texas	2016
Enterprise Products	750,000	Texas	Q1 2016

BASF evaluates natural gas-based investment in the United States

PRNewswire

BASF Corporation
May 2, 2014 6:08 AM

LUDWIGSHAFEN, Germany, May 2, 2014 /PRNewswire/ --

- World-scale, methane-based propylene complex on the U.S. Gulf Coast
- Stronger backward integration in North America

BASF is evaluating an investment in a world-scale methane-to-propylene complex on the U.S. Gulf Coast. The on-purpose production of propylene to supply the company's North American operations would allow BASF to take advantage of low gas prices due to U.S. shale gas production and considerably improve its cost position. This would be BASF's largest single-plant investment to date.

BASF intends to further strengthen its backward integration into propylene and grow its propylene-based downstream activities, leading to a stronger market position in North America. Propylene is one of the most important basic chemicals in the petrochemical industry and is used in the production of a wide range of higher-value chemicals. These chemicals are used to manufacture products such as coatings, detergents or superabsorbent polymers for baby diapers.

Details on the potential investment, including the capacity of the plant, investment amount and exact location are currently under evaluation.

BASF - The Chemical Company

BASF Corporation, headquartered in Florham Park, New Jersey, is the North American affiliate of BASF SE, Ludwigshafen, Germany. BASF has nearly 17,000 employees in North America, and had sales of $19.3 billion in 2013. For more information about BASF's North American operations, visit www.basf.us.

BASF is the world's leading chemical company: The Chemical Company. Its portfolio ranges from chemicals, plastics, performance products and crop protection products to oil and gas. We combine economic success with environmental protection and social responsibility. Through science and innovation, we enable our customers in nearly every

industry to meet the current and future needs of society. Our products and solutions contribute to conserving resources, ensuring nutrition and improving quality of life. We have summed up this contribution in our corporate purpose: We create chemistry for a sustainable future. BASF had sales of about €74 billion in 2013 and over 112,000 employees as of the end of the year. Further information on BASF is available on the Internet at www.basf.com.

Rates

View Comments (0)

Share this http://finance.yahoo.com/news/basf-evaluates-natural-gas-based-100800686.html?soc_src=copy

MAY
4

BASF plans methane to propylene investment in USGC

BASF is evaluating an investment in a world-scale methane-to-propylene complex on the U.S. Gulf Coast. The on-purpose production of propylene to supply the company's North American operations would allow BASF to take advantage of low gas prices due to U.S. shale gas production and considerably improve its cost position. This would be BASF's largest single-plant investment to date.

BASF intends to further strengthen its backward integration into propylene and grow its propylene-based downstream activities, leading to a stronger market position in North America. Propylene is one of the most important basic chemicals in the petrochemical industry and is used in the production of a wide range of higher-value chemicals. These chemicals are used to manufacture products such as coatings, detergents or superabsorbent polymers for baby diapers.

Details on the potential investment, including the capacity of the plant, investment amount and exact location are currently under evaluation.

In the past, methane to propylene had never been considered as an economically feasible opportunity. The process typically involves the conversion of methane to methanol/DME which is then converted to propylene. Due to the high capital intensity involved with the methanol to propylene project, the economics are highly dependent on the price of natural gas. With the shale revolution, US is currently experiencing one of the lowest natural gas prices globally. This development has changed producer's perspective on "On-Purpose Propylene production".

Production of olefins from coal/methanol is prevalent in China and several commercially viable technologies are already being licensed. Some of the technologies include:

- Total Petrochemicals successfully demonstrated a MTO facility in Belgium.
- UOP/Hydro MTO process
- Air Liquide's Lurgi Methanol to Propylene process

The company intends to increase the cash cost position of ethylene